

Message Text

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USMISSION GENEVA

USMISSION OECD PARIS

USMISSION NATO BRUSSELS

AMCONSUL BELFAST

C O N F I D E N T I A L DUBLIN 0433

E.O. 11652: GDS

TAGS: PFOR, PINT, EI

SUBJ: IRISH POLITICAL/ECONOMIC SITUATION

1. ON THE EVE OF PRIME MINISTER COSGRAVE'S OFFICIAL VISIT WE
THOUGH IT MIGHT BE USEFUL FOR BACKGROUND PURPOSES TO SEND A BRIEF
SUMMARY OF THE CURRENT POLITICAL AND ECONOMIC SITUATION.

2. POLITICAL: COSGRAVE'S TENURE IS RATHER SECURE, WE BELIEVE,
FOR AT LEAST THE BALANCE OF 1976, ALTHOUGH THERE ARE ENOUGH
UNCERTAINTIES TO KEEP LIFE INTERESTING FOR THIS COALITION GOVERNMENT.
THERE IS NO IMMEDIATE THREAT TO THE GOVERNMENT MAJORITY OF THREE,
AND THERE IS EVEN A CHANCE THAT THE GOVERNMENT MIGHT INCREASE ITS
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MAJORITY TO FOUR IN AN UPCOMING BYELECTION. HOWEVER, THE POLITICAL

EXPERTS SAY THAT FIANNA FAIL (OPPOSITION PARTY) WILL PROBABLY RETAIN THE EAST DONEGAL SEAT LEFT VACANT BY THE FEBRUARY 29 DEATH OF FRONT-BENCHER LIAM CUNNINGHAM.

3. ALWAYS KEEPING IN MIND THE NORTHERN SITUATION, WHICH IS A CONSTANT UNDERPINNING OF ALMOST ALL POLITICAL ACTIVITY HERE AND COULD ENGULF THE REPUBLIC IN "DOOMSDAY" AT ANY TIME, THE MAJOR POLITICAL DIFFICULTIES FACING COSGRAVE ARE 1) THE BLEAK ECONOMIC PICTURE, WHICH WILL CAUSE MUCH STRAIN IF IT DOES NOT EASE BY THE END OF THE YEAR, AND 2) THE STRAIN OF TRYING TO MAINTAIN A COALITION OF TWO RATHER DISPARATE PARTNERS. THESE TWO FACTORS ARE BOTH INVOLVED IN TWO CURRENT POLITICAL DISPUTES RELEASING MUCH SOUND AND FURY IN THE DAIL AND PRESS, I.E.:

--THE EQUAL PAY AMENDMENT. THIS IS MORE EMBARRASSING THAN CRUCIAL FOR THE GOVERNMENT. BECAUSE OF ITS VERY BAD FINANCIAL SITUATION THE GOVERNMENT HAS HAD TO GO FOR AN AMENDMENT TO ITS LEGISLATION ON EQUAL PAY, CLAIMING THAT NEITHER THE PUBLIC OR PRIVATE SECTORS CAN AFFORD IMPLEMENTATION JUST NOW. UNFORTUNATELY THE EC COMMISSION WILL NOT GIVE AN EXCEPTION TO IRELAND AND THUS THE COUNTRY STANDS IN OPEN VIOLATION OF ITS EC COMMITMENTS ON EQUAL PAY AND IS APPARENTLY THE ONLY ONE OF THE NINE SERIOUSLY IN DEFAULT. THIS IMBROGLIO, FEATURING STRONG WORDS BETWEEN THE IRISH FINANCE MINISTER AND EC HEALTH COMMISSION HILLERY (FROM IRELAND'S OPPOSITION PARTY, FIANNA FAIL) TAKES UP MANY OF THE CURRENT HEADLINES AND, OF COURSE, IS BEING USED BY THE OPPOSITION. AT THIS MOMENT IT SEEMS THAT THE GOVERNMENT WILL HAVE TO GIVE IN AND SOMEHOW FINANCE EQUAL PAY, ESPECIALLY SINCE THE JUNIOR COALITION PARTY (LABOR) IS STRONGLY IN FAVOR OF EQUAL PAY.

--MUCH MORE SERIOUS IS THE OPPOSITION BY THE TRADE UNIONS TO THE KEY UNDERPINNING OF THE FRAGIL IRISH BUDGET, I.E. A 1976 "PAY PAUSE." THE IRISH CONGRESS OF TRADE UNIONS, MEETING FEB. 25, OVERWHELMINGLY REJECTED THE IDEA OF A PAY PAUSE AND WILL SHORTLY START NEGOTIATIONS FOR A NEW WAGE AGREEMENT (THE OLD ONE EXPIRES IN STAGES, BEGINNING IN APRIL). ON THE GOVERNMENT SIDE COSGRAVE HAS VOWED THAT THERE WILL BE A STATUTORY PAY PAUSE IF THE UNIONS WILL NOT ACCEPT A VOLUNTARY ONE. CONTRACTS CLOSE TO HIM TELL US THAT COSGRAVE IS DEADLY SERIOUS ON THIS. IF IT COMES TO A STATUTORY PAY

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FREEZE, THE UNION LEADERS WILL BE OFF THE BURNER BUT THE POLITICIANS OF THE LABOR PARTY WILL BE IN THE FIRE. THIS SMALL AND DIMINISHING PARTY CANNOT AFFORD TO ALIENATE ITS MAJOR CONSTITUENCY. IF LABOR DOES BREAK ON THIS ISSUE THEN COSGRAVE WILL HAVE TO GO THE COUNTRY AS HE DOES NOT HAVE ENOUGH SEATS TO MAINTAIN A MINORITY GOVERNMENT. AT THE MOMENT WE DO NOT KNOW HOW THIS WILL BE SORTED OUT, BUT IT IS PROBABLE THAT COSGRAVE IN THE END WILL BE FORCED TO ACCEPT

A MODESTWAGE AGREEMENT, AND FINANCE MINISTER RICHIE RYAN WILL BE FORCED TO REVISE HIS BUDGET AND RAISE MORE MONEY SOMEWHERE. IF THE UNLIKELY HAPPENS AND AN ELECTION IS EITHER FORCED OR COSGRAVE BEGINS TO BELIEVE THINGS WILL BE WORSE IN 1977 (HE MUST HAVE AN ELECTION MY MARCH 1978), THEN WE COULD NOT NOW PREDICT THE OUTCOME -- IF THE COALITION GOT BACK TOGETHER THE ELECTION WOULD BE CLOSE AND WOULD HINGE ON A FEW TRANSFER VOTES IN IRELAND'S COMPLICATED ELECTORAL SYSTEM. IN ANY EVENT THERE WILL BE LITTLE BASIC CHANGE IN EITHER DOMESTIC OR FOREIGN POLICY IF FIANNY FAIL COMES BACK INTO POWER, AT LEAST SO FAR AS US INTERESTS ARE CONCERNED.

4. THE NORTH: COSGRAVE WILL HAVE A "SUMMIT MEETING" WITH WILSON IN LONDON THIS FRIDAY, PRIMARILY TO DISCUSS THE NORTHERN SITUATION. WE HAVE BEEN TOLD THAT HIS MAJOR MESSAGE TO WILSON WILL BE THAT HMG MUST DEVISE SOME SCHEME TO KEEP POLITICS ALIVE IN NORTHERN IRELAND, OTHERWISE THE PARAMILITARIES WILL STEP INTO THE VACUUM. UNFORTUNATELY COSGRAVE WILL NOT HAVE ANY SPECIFIC IDEAS, INSOFAR AS WE KNOW, AS TO HOW THIS IS TO BE DONE. ON THE PART OF THE GOI IT IS EXPECTED HE WILL PLEDGE AGAIN FULL SUPPORT FOR ANY HMG EFFORTS, PARTICULARLY IN THE SECURITY FIELD, AND THE GOI'S RECORD IN THIS AREA HAS BEEN VERY GOOD. JUST LAST WEEK, FOR INSTANCE, JUSTICE MINISTER COONEY ANNOUNCED THAT PRISON SENTENCES FOR IRA MEMBERSHIP WOULD BE DOUBLED, GOING FROM TWO TO FOUR YEARS. ON NORTHERN IRELAND IN GENERAL, THE GOI REMAINS GLUMLY PESSIMISTIC, BUT AFTER SIX YEARS OF SMOLDERING CRISIS THERE IS A GENERAL RELUCTANCE HERE TO BELIEVE THAT THE SITUATION WILL DETERIORATE ALL THE WAY TO CIVIL WAR WHICH WOULD EMBROIL THE ISLAND. HOWEVER, THIS POSSIBILITY IS ALWAYS IN THE BACK OF THE MIND FOR PERSONS SO STEEPED IN HISTORY AS COSGRAVE. THERE IS ALSO A CERTAIN TENSION AND FRUSTRATION VIEWING THE SITUATION FROM DUBLIN, BECAUSE IN FACT THERE IS LITTLE THE GOI CAN DO EXCEPT COOPERATE ON BORDER SECURITY.

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5. ECONOMIC: IRELAND'S SMALL (ABOUT \$6 BILLION GNP) AND OPEN ECONOMY HAS BEEN SERIOUSLY BATTERED BY THE ENERGY CRISIS AND THE ENSUING WORLD-WIDE RECESSION. UNEMPLOYMENT HAS REACHED 12 PERCENT OF THE REGISTERED WORKFORCE, WHILE INFLATION IN 1975 WAS IN THE NEIGHBORHOOD OF 24 PERCENT. IN AN ATTEMPT TO KEEP THE ECONOMY AFLOAT THE GOVERNMENT HAS FOLLOWED A GENERALLY EXPANSIONARY FISCAL POLICY THAT HAS RESULTED IN LARGE DEFICITS THAT MUST NOW BE FINANCED AT HIGH INTEREST RATES. CURRENTLY, IRELAND IS SEEKING THROUGH THE EC FOREIGN LOANS TOTALING ABOUT \$600 MILLION. THE IRISH ECONOMY NOW APPEARS TO BE STARTING A SLOW RECOVERY FROM THE RECESSION BUT VERY LITTLE IS EXPECTED IN THE WAY OF SIGNIFICANT IMPROVEMENT BEFORE THE END OF THE YEAR. THE NEW BUDGET ANNOUNCED IN JANUARY CALLS FOR MORE EXPENDITURE TO STIMULATE THE ECONOMY, BUT IT RAISED MANY TAXES TO CHECK THE

INCREASE IN THE NATIONAL DEBT.

6. THE UNITED STATES HAS A SMALL -- BUT IMPORTANT -- STAKE IN THE IRISH ECONOMY. TOTAL US INVESTMENT IN IRELAND IS CURRENTLY ESTIMATED AT ABOUT \$600 MILLION. US EXPORTS TO IRELAND IN 1975 AMOUNTED TO ABOUT \$235 MILLION, WHILE IRISH EXPORTS TO THE US TOTALED APPROXIMATELY \$150 MILLION. US TOURISM IS IMPORTANT TO IRELAND: SOME 200,000 US VISITORS WENT TO IRELAND IN 1975, AND US AIRLINES CARRIED A LARGE PART OF THE TRAFFIC. SEVERAL MAJOR US BANKS HAVE STARTED OPERATIONS IN IRELAND AND ARE MAKING A CONTRIBUTION TO THE IRISH ECONOMY. THESE INCLUDE BANK OF AMERICA, FIRST NATIONAL CITY BANK OF NEW YORK, FIRST NATIONAL BANK OF CHICAGO AND CHASE MANHATTAN BANK.
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